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Report on the activities of the Office of Internal Oversight Services

Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Report of the Office of Internal Oversight Services on the horizontal audit of fuel management in peacekeeping missions

Summary

As requested by the General Assembly in its resolution 60/259, the Office of Internal Oversight Services (OIOS) conducted an audit of fuel management in peacekeeping missions. The main objective of the audit was to obtain reasonable assurance on the adequacy and effectiveness of internal controls over fuel management.

For the financial year 1 July 2005 to 30 June 2006, the Department of Peacekeeping Operations allotted approximately $286 million for fuel, or 6 per cent of the total budget, in the 10 missions audited by OIOS. As of October 2006, the 10 missions had 43 active fuel contracts totalling $513 million for contract validity periods of mostly one or two years. The large amount of expenditures on fuel to support peacekeeping operations and the ease with which such products can be converted into cash represent a significant risk to the Organization.

OIOS found that internal controls over fuel management need significant improvement, particularly in the following areas:

- In all missions audited, a mechanism to monitor fuel consumption was either lacking or inadequate. As a result, there were abnormal fuel consumption patterns in the United Nations Operation in Burundi (ONUB), the United Nations Assistance Mission in Afghanistan (UNAMA), the United Nations Interim Administration Mission in Kosovo (UNMIK) and the United Nations Operation in Côte d'Ivoire (UNOCI), and discrepancies between sample physical counts conducted by OIOS and the underlying records maintained by

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the United Nations Stabilization Mission in Haiti (MINUSTAH), the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC) and UNMIK

- In a number of instances, payments to fuel vendors were processed without adequate supporting documentation and verification. ONUB and UNAMA did not have the relevant price indices with which prices being charged by the vendors could be verified. That is critical because fuel prices are volatile and not fixed in the contract

- In some missions, there were vacancies in the Fuel Unit that needed to be filled immediately to ensure the proper discharge of fuel management functions. For example, in ONUB, some critical fuel management tasks were either being undertaken by junior staff members or left to the contractor. In the United Nations Mission in the Sudan (UNMIS), some critical tasks were not being performed satisfactorily

- In some missions, the receipt and inspection of fuel deliveries were not consistently performed, which led to the acceptance by UNAMA and the United Nations Assistance Mission for Iraq (UNAMI) of fuel inferior to contract specifications

- MONUC, ONUB, UNAMI, UNMIS and UNOCI had no contingency plans to ensure the continuity of fuel supply. That is critical because of the unstable environment missions operate in, and because in some cases, missions relied on a single supplier.

As a result of the weaknesses in the processing of invoices and ambiguities in the fuel contracts, UNMIK overpaid a contractor by approximately $2 million over a period of four years. Also, in MONUC, prepayments of $1.9 million were made to a contractor for fuel reserves that were not delivered.

OIOS noted instances of non-compliance with the provisions of the Procurement Manual in the procurement of fuel products in MINUSTAH, UNAMA and UNAMI. In UNMIS, the amended contract for the supply of fuel included additional costs of $9 million for operation and maintenance charges, although the United Nations had the option to extend the contract at the original terms with a lower rate. The Mission also paid the contractor $921,000 for fuel equipment at rates higher than those provided for in the contract and for the procurement of some additional equipment not provided for in the contract, without any formal amendment to the contract. OIOS recommended that further investigation be made of the irregularities discussed in the present report and that appropriate action be taken against staff members found responsible for such instances of waste and mismanagement.

OIOS made 182 recommendations, including 83 considered to be critical, in the audit reports that were issued to the management of the 10 missions audited. Out of the 182 recommendations made, 174 were accepted, most of which were already in the process of being implemented as of the date of the present report. OIOS will monitor the status of actions taken by the missions in implementing OIOS recommendations.

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I. Introduction

1. As requested by the General Assembly in its resolution 60/259, the Office of Internal Oversight Services (OIOS) conducted an audit of fuel management in peacekeeping missions.[1] The overall objective of the audit was to obtain reasonable assurance on the adequacy and effectiveness of internal controls over fuel management.

2. The audit covered the management and control of petrol, oil and lubricants (hereafter collectively and interchangeably referred to as POL, fuel, or fuel products) for ground and air transportation and generators. Table 1 shows the total budget of each of the 10 missions audited and the allotments to fuel accounts for the financial year 1 July 2005 to 30 June 2006. The table also shows the not-to-exceed amount relating to active fuel contracts in each mission.

Table 1
Allotments for fuel for fiscal year 2005-06
(In thousands of United States dollars)

	Budget			
Mission	*Total*	*POL*	*POL/Total (%)*	*Not-to-exceed amount**
MONUC	1 150	92.9	8.1	203.8
UNMIS	948	73.0	7.7	116.1
UNMIL	722	48.9	6.8	76.7
UNMEE	177	8.6	4.9	53.4
UNOCI	368	16.6	4.5	26.9
MINUSTAH	470	24.1	5.1	18.4
ONUB	292	11.9	4.1	7.4
UNMIK	240	6.5	2.7	5.5
UNAMA	118	2.5	2.1	4.4
UNAMI	150	0.6	0.4	0.2
Total	**4 635**	**285.6**	**6.2**	**512.8**

* The NTE amount covers the entire contractual period of mostly one or two years and extends beyond the financial year 1 July 2005 to 30 June 2006.

3. OIOS submitted draft reports for review and comment by the respective heads of the missions audited. The comments are shown in italics.

[1] The following missions were covered by the audit: United Nations Stabilization Mission in Haiti (MINUSTAH), United Nations Organization Mission in the Democratic Republic of the Congo (MONUC), United Nations Operation in Burundi (ONUB), United Nations Assistance Mission in Afghanistan (UNAMA), United Nations Assistance Mission for Iraq (UNAMI), United Nations Mission in Ethiopia and Eritrea (UNMEE), United Nations Interim Administration Mission in Kosovo (UNMIK), United Nations Mission in Liberia (UNMIL), United Nations Mission in the Sudan (UNMIS) and United Nations Operation in Côte d'Ivoire (UNOCI).

II. Internal controls over the monitoring of fuel consumption inadequate

4. Internal controls over the monitoring of fuel consumption should include procedures to prevent or identify potential irregularities early on in the process. OIOS found that the internal control mechanism to monitor fuel consumption in all missions had either not been established or was inadequate, as explained below:

(a) In UNAMA, UNMIS and UNMIK, there were no systems in place to monitor fuel consumption. *The Department of Peacekeeping Operations commented that Fuel Log, an electronic fuel system, had been implemented in UNMIK and that it is a standard practice to verify fuel import and distribution to fuel locations to facilitate prompt detection and correction of discrepancies*;

(b) In UNOCI, the system of monitoring was ineffective and inefficient because several manual processes and spreadsheets were used for review and analysis. In ONUB, because the Mission Electronic Fuel Accounting System was only partially implemented, a number of spreadsheets were still being used to monitor fuel consumption. In addition, the monitoring of fuel consumption commenced only six to eight weeks after invoices were paid;

(c) In UNMEE, inspections of fuel facilities at locations away from Asmara were conducted infrequently;

(d) In UNMIL, fuel consumption by United Nations-owned equipment, which represented 40 per cent of equipment deployed in UNMIL, was not adequately monitored because the monitoring of fuel consumption was focused on contingent-owned equipment; and

(e) In MONUC, procedures for the monitoring of fuel consumption in the Transport and Engineering Sections for United Nations and contingent-owned equipment in Kisangani, Bunia and Goma were not documented. Moreover, the Transport Section in Kinshasa did not monitor the fuel consumed by contingent-owned vehicles because it was not clear who should conduct the monitoring and how it should be accomplished. *The Department of Peacekeeping Operations commented that MEFAS is being implemented in MONUC. The Department added that a Technical Compliance Cell was established in October 2006 to expedite the implementation of MEFAS, train the fuel staff, and develop standard operating procedures. Daily data entry is now performed to assist the Transport and Engineering Sections in monitoring fuel consumption.*

5. In ONUB and UNMIS, the monitoring of fuel consumed by contingent-owned equipment was inadequate. In ONUB, none of the contingents submitted the complete set of fuel consumption reports for the months reviewed. In UNMIS, there was no assurance of the continuity of fuel records kept by military contingents. When a contingent was rotated, the exiting team took along its fuel accounting records, making it impossible to verify transactions relating to a particular contingent and period. Also, the records kept by one of the military contingents at Kadugli did not show the stock balances for bulk deliveries.

6. OIOS found abnormal fuel consumption patterns in ONUB, UNAMA, UNMIK and UNOCI, and discrepancies between sample physical counts conducted by OIOS and the underlying records maintained by MINUSTAH, MONUC and UNMIK. The missions were unable to explain the irregular consumption patterns and

discrepancies noted. In UNMEE and ONUB, records of fuel in tanks were not maintained to determine book balances with which periodic physical measurements could be reconciled.

7. Because of the lack of a uniform monitoring mechanism in the missions and the varying levels of controls put in place for the monitoring of fuel consumption, and the corresponding records kept or the lack thereof (see related findings in paras. 33-36 below), OIOS was unable to make a consolidated summary of all the discrepancies and abnormal consumption patterns found. The individual audit reports issued to the missions concerned discuss in detail examples of irregular consumption patterns and discrepancies, where the availability of mission records enabled OIOS to analyse them.

8. In its report on the audit of fuel management in UNAMSIL dated 29 December 2004, OIOS had recommended that MEFAS should be replicated in other peacekeeping missions to strengthen internal controls on fuel management. The current audits found that only a few missions have started implementing the system and only partially. As of July 2006, MONUC was still in the process of implementing MEFAS. In ONUB, the implementation of MEFAS covered only 50 per cent of the Mission's vehicles and the system was not being used for generators and aircraft. MEFAS, if properly implemented, is an effective and efficient tool to identify abnormal fuel consumption patterns.

9. For example, soon after the implementation of MEFAS in ONUB, a system-generated report indicating unusual consumption patterns was used to successfully investigate a fuel theft. Evidence showed the existence of a syndicate of ONUB and contractor personnel, which had perpetrated the theft by means of ONUB staff signing inflated vehicle fuel dockets. Fuel not dispensed into vehicles was alleged to have been sold in the local market and the proceeds distributed among the perpetrators. At the conclusion of the investigation conducted by the ONUB Security Section, the Officer-in-Charge of Administration recommended that disciplinary action be taken against the implicated staff members. OIOS will continue to monitor the status of this case.

10. OIOS recommended that further investigation be made of the irregularities discussed above and that appropriate action be taken against staff members found responsible for substantiated instances of waste and mismanagement.

III. Internal controls over payments to vendors need improvement

A. Inadequate documentation and verification of payments

11. Regulation 5.8 (b) of the Financial Regulations and Rules of the United Nations[2] states that "The Secretary-General shall cause all payments to be made on the basis of supporting vouchers and other documents which ensure that the services or goods have been received and that payments have not previously been made." OIOS found that internal controls over payments were weak in many missions and did not include adequate supporting documentation, as explained below:

[2] ST/SGB/2003/7 of 9 May 2003.

(a) MONUC made prepayments of $1.9 million to a vendor for reserve fuel stocks that were never delivered. An oil company, owned by the Government of the Democratic Republic of the Congo and private companies, controls the supply and allocation of fuel to vendors in the country. Under that arrangement, the oil company sends confirmation letters to all fuel vendors on their available daily fuel stock balances. MONUC had no direct contractual relationship with the oil company, and the Mission relied on the government-controlled oil company's statements of fuel balances to vendors as evidence that fuel had been reserved for MONUC, without verifying the actual delivery of the fuel. *In its response to the draft report, MONUC explained the circumstances surrounding the prepayment and commented that, as of October 2006, it had recovered $500,000 from the vendor, and that the balance of $1.4 million would be withheld from the vendor's outstanding invoices. The Department of Peacekeeping Operations, however, commented that the $1.9 million fuel reserve purchased by MONUC was delivered and measures were put in place to ensure that fuel is available to MONUC at all times. This purchase of fuel used as a strategic reserve not only allowed the Mission to operate during two major crises, but also yielded savings of approximately $1.2 million since the cost of fuel increased substantially between the purchase of the reserve and final delivery.* However, the OIOS audit showed that the vendor had not, in fact, positioned the fuel, contrary to the confirmation by the MONUC Chief, Supply Section, of such positioning by the vendor. Furthermore, the Department of Peacekeeping Operations provided no documentary evidence supporting the fuel delivery. OIOS continues to assert that the fuel had not been delivered by the vendor and will monitor the status of actions taken by the Mission until the remaining prepayments ($1.4 million) have been fully recovered;

(b) In UNOCI, payments for fuel deliveries were not supported by receiving and inspection reports. In UNMEE, receiving and inspection reports were prepared without actually verifying the quantities delivered. In UNAMI, fuel invoices were paid on the basis of vendor's documentation, without actual physical inspection by the Receiving and Inspection Unit. *The Department of Peacekeeping Operations commented that physical inspection of fuel deliveries in UNAMI are routinely carried out by the Receiving and Inspection Unit and that the results of the inspections are now documented and countersigned by the representatives of the Self-Accounting Units*;

(c) In MINUSTAH, payments were not supported by original documents, such as fuelling tickets for aviation fuel and delivery notes for generator fuel. In ONUB, documentation provided by vendors for each importation of fuel was inconsistent and did not always comply with the contract requirements. *The Department of Peacekeeping Operations commented that the processing of invoices in MINUSTAH has been streamlined and that payments are now based on the originals of the required supporting documents.*

12. With regard to the validity of fuel prices, the vendors did not consistently provide ONUB and UNAMA with the relevant price indices needed to verify fuel prices

13. UNMIS did not have a mechanism to verify whether the fuel being delivered to the Mission was sourced locally or was imported. In the absence of such a mechanism, the contractor could be and was in fact paid at a higher rate. The contractor issued two credit notes to the Mission totalling $183,483 when it

discovered that a certain amount of local fuel was erroneously charged at import rates. In this case, it was the contractor and not the Mission who discovered and pointed out the excess payment.

14. OIOS will monitor the status of actions taken by the missions in implementing its recommendations, and where appropriate, will recommend disciplinary action against those found accountable for the lapses.

B. Ineffective internal controls over the processing of invoices led to overpayments

15. Internal controls over the processing of invoices should include procedures to ensure that payments are made accurately and on a timely basis. In UNMEE, UNMIK, UNMIS and UNOCI, the payment processes for fuel invoices were not streamlined or well coordinated between the units involved in the process. This significant weakness was generally caused by the unclear definition and division of roles and responsibilities between the units. As a result, the following lapses in internal controls occurred:

(a) Overpayment of approximately $2 million over a period of four years to a major fuel contractor in UNMIK. The overpayment was also caused by the ambiguity of contract provisions for the setting of fuel prices. *UNMIK commented that recovery action would be taken immediately. The Mission retained the sum of $200,000 from the vendor's outstanding invoices since September 2005. The sum of $1 million was to be withheld from the vendor's February and March 2006 invoices, and the balance was to be offset against the vendor's April and May 2006 invoices when received. The vendor still maintains that it is entitled to the $2 million sales cost it charged the Mission*;

(b) A one-month delay in effecting payments to fuel vendors in UNMEE and UNOCI. A delay of between 1 and 45 days was also noted in ONUB. In some instances of delayed payments, the contractors threatened to withhold deliveries of fuel to the Mission until their invoices were paid;

(c) A nine-month to one-year delay in determining the final prices for the second, third and fourth fuel shipments in UNMIS. As such, the Mission continued to apply the rate of the first shipment to the succeeding fuel shipments in paying the vendor.

C. Inadequate control over price changes

16. Internal controls over changes in the prices of fuel should include procedures to ensure that such changes are authorized and valid. In ONUB, with the exception of the first price amendment in September 2004, price changes had not been effected through a contract amendment. The contractor increased the price of aviation fuel on 22 December 2004 from $0.68 to $0.73 per litre, as well as the price of diesel from $0.68 to $0.78 per litre, without the Mission's prior approval. ONUB became aware of the increase only when the invoices for April 2005 were being processed for payment. Approval for the price increase was granted on an ex post facto basis.

17. In UNAMA, the administration approved and paid a winterized diesel surcharge of $0.0704 per gallon imposed by one of the fuel contractors for the period from 15 November 2005 to 31 March 2006. During that period, the Mission procured 641,919 litres of diesel fuel from the contractor, with a winterized diesel surcharge amounting to a total of $45,191. However, no approval for that additional payment was obtained from the Headquarters Committee on Contracts.

18. In another fuel contract, a memorandum of understanding between UNAMA and the United Nations Humanitarian Air Services (UNHAS), the pricing terms and provisions stated that fuel shall be delivered to UNAMA at the prevailing landed price at the location where UNAMA requires the fuel, which shall include transportation and handling, but free from UNHAS administrative charges. The OIOS review of UNHAS charges indicated, however, that UNAMA paid an additional $3,700 because:

(a) UNHAS unilaterally decided to charge the Mission an additional $0.03 per litre of fuel delivered as demurrage cost for the period 1 January to March 2006;

(b) UNHAS had added the proportionate loss which it sustained owing to the difference between the actual quantity of fuel received and the quantity delivered by its supplier because of temperature and humidity difference between the fuel depot and the delivery site.

19. In UNMIS, a contractor was paid a total of $921,000 for: (a) fuel equipment at rates higher than the contract rates; and (b) additional items of equipment not provided for in the contract, without any formal amendment to the contract. *UNMIS commented that it found the total equipment required and approved in the contract to be insufficient for its operations. Also, the task orders issued were actually approved after checking the requirements on the ground. Further review was ongoing to validate the values highlighted by OIOS, and the United Nations Procurement Service will be consulted accordingly.*

IV. Overriding of internal controls resulted in irregularities in procurement

20. OIOS identified the following instances of irregularities in the procurement of fuel:

Extension of a fuel contract with terms unfavourable to UNMIS

(a) In UNMIS, the amended contract with a vendor for the supply of fuel will result in an additional cost of $9 million towards operation and maintenance charges, although the United Nations had the option to extend the contract at the original terms with a lower rate. *UNMIS explained that this amendment was made directly by the United Nations Procurement Service at Headquarters.* OIOS will follow up with the Department of Peacekeeping Operations and the United Nations Procurement Service to determine accountability for the lapse.

Award for long-term ground fuel requirements in MINUSTAH

(b) A best and final offer (BAFO) was solicited without complying with the Procurement Manual requirements for such solicitation. Specifically, a bidder who

was assessed to be technically non-compliant was invited to submit a BAFO. In addition, there were indications that the vendor may have benefited from insider information. In its response to the BAFO exercise, the vendor offered the required mobilization arrangements at no additional cost to MINUSTAH, exactly as indicated by the technical evaluation team in its internal report when they proposed the BAFO exercise, and the vendor became the lowest bidder.

(c) Because of the above irregularities, the Headquarters Committee on Contracts recommended that the contract be awarded to another bidder and the Controller requested the Chairman of the Headquarters Committee on Contracts to remind the Chief Procurement Officer of MINUSTAH "to adhere to the procurement rules and that no vendor should be given any preferential treatment".

(d) *MINUSTAH commented that the decision to obtain the BAFO was based on the unanimous decision made by the Tender Evaluation Committee, in conformity with the provisions of the Procurement Manual, and in the best interests of the Organization. Consideration of the other vendor's proposal as a sole proposal, since the current contractor's proposal was deemed technically non-compliant owing to non-submission of a mobilization plan, would not have been in the best interest of the Organization.* OIOS notes that the vendor had been the Mission's fuel provider and had demonstrated that it had the necessary capacity to supply fuel in the Mission area. Therefore, rather than declaring the vendor's proposal technically non-compliant owing to its failure to provide the required mobilization schedule, the Mission should have asked the vendor to provide the missing information, in accordance with paragraph 10.3.3 (c) of the Procurement Manual.

Award for long-term aviation fuel requirements in MINUSTAH

(e) In response to its solicitation of proposals for long-term aviation fuel requirements, MINUSTAH received only one proposal, with a very high price offer. Moreover, the only proposer indicated that it had formed a consortium with three other vendors. Although the MINUSTAH Procurement Section expressed its concern over the risk of possible collusion between the vendors resulting from the consortium and stated that the contractor's price was very high, the Mission did not rebid the requirements but proposed to the Local Committee on Contracts that the Mission negotiate with the vendor for better terms. The BAFO turned out to be unsuccessful because the contractor did not change its offer.

(f) The Local Committee on Contracts and the Headquarters Committee on Contracts endorsed the MINUSTAH proposal for a negotiated contract with this contractor, while raising some concerns over the ability of MINUSTAH to carry out a large and complex bidding exercise and the appropriateness of a BAFO involving a sole bidder. However, the Controller rejected the recommendation of the Headquarters Committee on Contracts because: (a) local procurement authority had not been granted to MINUSTAH for aviation fuel; and (b) the bid had resulted in sole sourcing at a price considered excessively high. The Controller requested the United Nations Procurement Service to conduct a new bidding exercise based on specifications vetted by the Department of Peacekeeping Operations. *MINUSTAH commented that as of July 2006, bids in response to the rebidding exercise were received by the United Nations Procurement Service and that the Department of Peacekeeping Operations has requested the MINUSTAH Fuel Cell to assist with the technical evaluation.*

Unsigned contract for the short-term supply of aviation fuel in MINUSTAH

(g) While procurement for the long-term supply of aviation fuel in MINUSTAH was under way, the Mission's short-term requirements were being met by Vendor B. From June to 28 September 2004, Vendor A supplied the Mission with aviation fuel. From 29 September 2004 to July 2006, Vendor B had been delivering aviation fuel to the Mission. However, neither Vendor A nor B had signed a contract for that short-term arrangement.

(h) In its presentation to the Local Committee on Contracts to regularize the arrangements with Vendor B, the MINUSTAH Procurement Section indicated that Vendor B had assured the Mission that it would offer the same or better rates than Vendor A, and that Vendor B had extensive experience in supplying fuel to large organizations such as the United Nations. Both the Local Committee on Contracts and the Headquarters Committee on Contracts endorsed the procurement action. The Local Committee on Contracts cited financial rule 105.16 (a), i.e., no competitive marketplace exists and prices are fixed by legislation or government regulation, as the basis for recommending the award to Vendor B.

(i) According to the MINUSTAH Fuel Cell, Vendor B's unit prices exceeded Vendor A's rates by up to 40 per cent, and totalled $513,364 for the period from July 2005 to February 2006, or a monthly average of $64,170. Applying this monthly average over the period from October 2004 to June 2005 ($577,530), OIOS estimated that by ordering aviation fuel from Vendor B instead of Vendor A, MINUSTAH incurred additional costs of $1.1 million for the period Vendor B had supplied aviation fuel to the Mission. *MINUSTAH commented that: (a) the Mission "does not believe it has paid 'excessively' for aviation fuel"; (b) the cost charged by Vendor B is slightly higher as compared with international market rates, which are closely monitored by the Supply and Procurement Section; and (c) the situation is dictated by the local market conditions, which, in the case of aviation fuel, is totally monopolistic. The Department of Peacekeeping Operations, however, stated that an investigation is ongoing to determine whether MINUSTAH has paid charges to a vendor in excess of another vendor's rates. The result of the investigation will be communicated to OIOS.*

(j) There is a need to expedite the completion of the procurement action for the long-term supply of aviation fuel in order to ensure that the Mission gets the most economical and competitive price, and the Mission's air operations are not disrupted. *MINUSTAH commented that it has followed up with the United Nations Headquarters for the early conclusion of a long-term supply contract for aviation fuel and will continue to pursue the matter until the contract is finalized.*

(k) OIOS will monitor the status of the actions taken with respect to the procurement of the long-term contracts for ground and aviation fuel in MINUSTAH, including accountability for the lapses.

Non-compliance with procurement guidelines in UNAMI and UNAMA

(l) In UNAMI, the Mission did not elicit competitive offers during the bidding exercise in June 2004 for the procurement of fuel in Kuwait because the time given for the vendors to respond to the bid was limited to two calendar days. Nor did the terms and conditions of the contract specify the Mission's right to test the products and seek reimbursement for discrepancies in quality. Moreover, the

Mission's requirement for benzene with 98 octane rating was in excess of the octane grade of 91 recommended by the vehicle manufacturer; and

(m) In UNAMA, OIOS noted a case of non-compliance with the requirement on the minimum number of invitees to participate in a bidding exercise and another case where a contract was awarded to a vendor who did not participate in the bidding exercise. Also, the octane rating specified by the Mission for unleaded gasoline was in excess of the octane rating recommended by the vehicle manufacturer. OIOS will monitor the above cases to confirm that its recommendations have been implemented by UNAMA and UNAMI.

V. Staffing issues

21. Table 2 shows the number of filled and vacant posts in the Fuel Unit/Cell of the following missions:

Table 2
Analysis of vacant posts in Fuel Unit/Cell

	Posts		
Mission	*Authorized*	*Filled*	*Vacant*
MONUC	5	2	3
ONUB	7	3	4
UNMIS*	30	13	17
Total	**42**	**18**	**24**

* Includes International field service and national staff. MONUC and ONUB numbers represent posts only in the Professional category.

22. Because of these vacancies, some important tasks were either being undertaken by junior staff members or assigned to the contractor in ONUB. In UNMIS, the following tasks were not performed satisfactorily:

(a) Development of mission-specific standard operating procedures for fuel management;

(b) Determination of price for each shipment received;

(c) Analysis of consumption data;

(d) Development of a contingency plan to ensure the continuity of fuel supply.

23. UNAMA did not have a single unit responsible for the monitoring of fuel consumption. Nor did the Mission have dedicated fuel officers in the Mazar-e-Sharif and Maimana offices. As a result, fuel monitoring was not adequately addressed in UNAMA.

VI. Internal controls not established to monitor continuity of fuel supply

24. Provisions for contingency in case of interruption or shortage in fuel supply were inadequate. Hence, there was no assurance as to the continuity of fuel supply in the following missions:

(a) MONUC, ONUB, UNAMI, UNMIS and UNOCI did not have a documented and tested contingency plan to ensure the continuity of fuel supply. *The Department of Peacekeeping Operations commented that the standard practice at UNMIS is to maintain 30 days of fuel supply at all locations as a local reserve. As a contingency plan, fuel technicians and detachments from the Bangladesh Petroleum Platoon at all sector headquarters locations can operate the fuel installations in circumstances where the contractor is not able to do so. This plan was implemented in Malakal during November/December 2006 where the contractor's staff members were evacuated owing to an outbreak of fighting. Fuel support continued uninterrupted with the assistance of the Bangladesh Petroleum Platoon.* In the opinion of OIOS, the maintenance of 30 days' fuel supply at UNMIS did not substitute for having a contingency plan;

(b) ONUB and MONUC had not developed the required risk assessment matrix and the corresponding risk mitigation plan for the Mission. The matrix and plan are intended to identify risks that could impinge the continuity of fuel supply and to present a plan to manage the identified risks. *The Department of Peacekeeping Operations commented that a formal operational risk assessment had been completed on 6 February 2007. Several important key elements noted in the report will be incorporated in the development of a continuity and disaster recovery plan*;

(c) The UNOCI risk assessment matrix did not cover the risks and appropriate mitigation measures based on lessons learned from the political and security crises in the country, which had led to the evacuation of staff in the past. For example, the matrix did not include and address the Mission's inability to access the fuel installations of the contractor and to transfer fuel from one location to another, and the lack of an operational plan and measures to be taken to refuel vehicles and aircraft during evacuation;

(d) The level of fuel reserves in UNMEE was below the minimum critical level necessary to ensure continuity of operations in the event of an emergency;

(e) The Chief of the Fuel Cell in UNMIS was the only staff member in Khartoum with the technical knowledge and institutional memory on fuel operations in the Mission. In UNAMI, the fuel contract administrator did not have a backup. The lack of backup personnel to discharge critical functions in the absence of the Chief could heighten the Mission's exposure to the risk of interruption of fuel operations.

25. Moreover, the UNAMI operations in Iraq and UNOCI relied heavily on one supplier for the provision of fuel. That situation increased the risk of interruption in the supply of fuel in the event that the sole supplier in the Mission area is unable to supply or meet the Mission's fuel requirements, which could adversely affect the Mission operations. *The Department of Peacekeeping Operations commented that*

UNAMI has now created a reserve storage capability in all fuel locations in sufficient quantity to address any risk of interruption.

VII. Safety, security and environmental practices

A. Safety and environmental practices

26. The OIOS review of safety and environmental practices, and inspection visits to sample fuel sites indicated the following:

(a) Firefighting capacity in ONUB was limited and the areas around fuel tanks were not adequately protected from fuel spillages;

(b) Fire safety hazards were noted at the Prizren and Gjakova fuel stations in UNMIK;

(c) In UNMIL, OIOS noted actual fuel spillages and the potential for fuel contamination at certain fuel sites. In addition, there was inadequate or no firefighting equipment at the sites visited. Fuel tanks were not installed on level ground or hard-surface platforms;

(d) In UNMIS, there were damaged fuel bladders. The firefighting capacity at two team sites was impaired when fire extinguishers were sent out to El-Obeid or Khartoum for refilling. *The Department of Peacekeeping Operations commented that the damaged fuel bladders are being replaced by the fuel contractor under the warranty clause contained in the contract, at no cost to UNMIS*;

(e) Fire extinguishers were not installed at certain fuel sites in UNOCI and UNAMA;

(f) Fuel storage areas at the Bunia aviation fuel farm in MONUC were not adequately secured; the capacity of fire extinguishers was insufficient given the significant quantity of fuel kept at the installation; fuel drums were placed on the grass; a diesel bladder was leaking and the surrounding berms did not contain the leakage, thereby polluting the environment. Seven team sites that handled diesel did not have fire extinguishers.

B. Security

27. Physical access to the main generator houses in the United Nations Office for the Coordination of Humanitarian and Economic Assistance Programmes relating to Afghanistan (UNOCA) compound and complex B where UNAMA has offices was not controlled. In UNMEE, security measures were implemented mainly as a reaction to incidents of theft and pilferage, rather than in anticipation of threat events. For instance, the loss of 37 fuel drums in Adiguadad resulted in stricter security measures and the loss of 18,700 litres of aviation fuel owing to the unexplained rupture in a fuel bladder in September 2005 resulted in the transfer of the remaining fuel to hard tanks.

C. Quality control of fuel supplies

28. Fuel deliveries were not always inspected for quality assurance. For example, bulk deliveries of diesel in MONUC were not physically inspected by the Receiving and Inspection Unit. In MINUSTAH, fuel deliveries were not inspected either because testing kits, purchased in June 2005, had still not been distributed to all fuel sites in the Mission as at the time of the audit (July 2006). Moreover, the Fuel Cell in MINUSTAH explained that in the absence of formal contracts with vendors, it was difficult to enforce quality control requirements.

29. The UNAMA regional and subregional offices did not have a system to check the quality of vehicle and generator fuel. The Mission relied on the supplier's statement about the quality of fuel. As a result, UNAMA had received contaminated fuel from one of its vendors and fuel inferior to the quality specified in the contract.

30. The lack of quality checks in UNAMI allowed the fuel contractor to supply benzene with 95 octane rating instead of the 98 octane rating that was contracted for, which unduly benefited the contractor in an amount estimated at $20,240 during the period 1 June 2004 to 9 September 2006.

31. The above deficiencies were caused by the non-enforcement of the standard operating procedures on safety, security and environmental practices and the insufficient number of staff to enforce or monitor the implementation of the standard operating procedures.

32. *The Department of Peacekeeping Operations stated that MINUSTAH has distributed the testing kits and that the relevant staff members are being trained to do the testing in compliance with quality control requirements. At UNAMI, the acquisition of fuel testing equipment is in progress. Meanwhile, periodic quality spot-checks are now conducted in a local laboratory.*

VIII. Standard operating procedures

33. Some of the weaknesses discussed in the present report were caused by the inconsistent and limited application of the Department of Peacekeeping Operations Fuel Operations Manual, as explained below:

(a) The Fuel Cell of UNAMA and UNAMI had been managing fuel operations without the standard operating procedures. During the course of the audit, OIOS provided them with a copy of the standard operating procedures. The Missions indicated that they will start to implement and customize the standard operating procedures as appropriate;

(b) The procedures in the Fuel Operations Manual were designed predominantly for fuel operations managed by United Nations staff as opposed to the turnkey operations in ONUB, UNMIS and MINUSTAH;

(c) The draft MONUC standard operating procedures did not adequately and consistently reflect mission practices. For example, there were variations in record keeping practices, such as for lubricant stock records, in Kisangani, Bunia and Goma;

(d) UNOCI had not implemented the standard operating procedures on quality control and inspections, safety, security and environmental practices, and planning for fuel requirements.

34. OIOS acknowledges the efforts of the Department of Peacekeeping Operations in drafting and publishing the Fuel Operations Manual. However, in the opinion of OIOS, there is a need to expedite the completion and promulgation of the standard operating procedures, which are still in draft form. Table 3 shows the status of all sections of the Fuel Operations Manual as of the date of the present report.

Table 3
Status of standard operating procedures

Standard operating procedure number	*Subject content*	*Status*
1	Command and control	Draft
2	Planning and mission start-up	Draft
3	Contracts, accounting and management	Draft
4	Fuel handling and quality control (five parts)	Draft/pending/ partial draft
5	Routine maintenance — vehicles and equipment (10 parts)	Pending
6	United Nations-constructed field sites (four parts)	Draft/pending
7	Staff members (four parts)	Draft/pending
8	Emergency planning (three parts)	Pending

35. Also, the provisions of the Fuel Operations Manual for the preparation and submission of fuel reports were intended mainly to ensure the timely and sufficient delivery of fuel. The manual should be revised to strengthen the monitoring of fuel consumption, including:

(a) Establishing benchmarks for fuel consumption deemed reasonable for a particular equipment, aircraft and vehicle;

(b) Compiling and reporting actual consumption;

(c) Identifying abnormal, unacceptable or unexplained variances between the benchmark and the actual consumption, and providing procedures for alerting higher-level officials to such variances;

(d) Investigating and correcting any irregularities.

36. To allow for an efficient, central review and ultimately to prevent or identify potential irregularities early on, the manual should include provisions on the standard analytical reports on fuel consumption that must be submitted to the Department of Peacekeeping Operations Headquarters Fuel Unit, as well as the

frequency of such submissions and their baseline contents. These benchmarks, reports, analyses and procedures should be embedded in MEFAS.

IX. Summary of recommendations

37. OIOS made a total of 182 recommendations (including 83 considered as critical) in the 11 audit reports (see annex) issued to the heads of the 10 missions audited. The following is a summary of some of the critical recommendations relating to the major findings discussed in the present report.

A. Monitoring of fuel consumption

38. UNAMA, UNMEE, UNMIK, UNMIL, UNMIS and UNOCI should implement MEFAS or other alternative fuel monitoring mechanisms and ensure that the implementation covers the entire area of mission operations and all equipment, i.e., vehicles, generators and aircraft. Also, ONUB should devote the resources necessary for the full implementation of MEFAS throughout the Mission.

39. *The Missions accepted this recommendation. The use of MEFAS or other equivalent systems is in various stages of implementation.*

40. MINUSTAH, MONUC and UNOCI should follow up and explain or investigate the cases of abnormal fuel consumption patterns and discrepancies noted.

41. *The Missions accepted this recommendation. In MINUSTAH, a Fuel Fraud Prevention Cell has been established within the Fuel Cell. One major fuel fraud was identified and an investigation was immediately requested, thus preventing more extensive fraud which could have resulted if such intervention had not been made. In UNOCI, all cases of alleged fraud or misuse of fuel have been reported to the Security Section for further investigation. In MONUC, the Department of Peacekeeping Operations explained that an investigation conducted by the Mission determined that the observed discrepancies arose from a staff member who had used irregular accounting procedures to ensure that the books were balanced, and that there was no evidence of fraud. The concerned staff member was transferred to other functions. Remedial measures taken include improved training in operational procedures and conducting routine spot checks to ensure compliance with the regulations. The Carlog system has been installed at all pumps to ensure accurate recording, independent of the Supply Section's recording. MEFAS is also being implemented for more stringent control of fuel.*

B. Payments to vendors

42. MONUC should recover the $1.9 million prepayments made to a vendor in the Democratic Republic of the Congo, and UNMIK should recover the $2 million overpayments made to a major contractor in Kosovo.

43. *MONUC and UNMIK accepted this recommendation and commented that they have initiated necessary action to recover the prepayment and overpayment.*

44. ONUB and UNAMA should obtain the fuel price indices relevant to the mission area in order to enable the verification of invoice prices claimed by the fuel contractors.

45. *The Missions accepted this recommendation and stated that they have taken steps to obtain the relevant fuel price indices.*

46. UNMEE, UNMIK, UNMIS and UNOCI should streamline and define clearly the roles and responsibilities of various units involved in the processing of invoices.

47. *The Missions accepted this recommendation and indicated that the payment process has been streamlined and roles and responsibilities as regards the payment process have been defined.*

48. MINUSTAH, UNAMI, UNMIK and UNOCI should ensure that all payments are supported by documentation required by the Financial Regulations and Rules of the United Nations.

49. *The Missions accepted this recommendation and stated that it has been implemented.* OIOS will follow up with the Missions to confirm that this recommendation has been fully implemented.

50. UNMIS should implement a mechanism to verify the source of fuel being supplied by the contractor to ensure that the Mission is charged the correct rate based on the source of the fuel.

51. *UNMIS accepted the recommendation and stated that it has been implemented. Documents such as the bills of lading, discharge survey reports and recertification test reports are verified by the Chief of the Fuel Unit.*

52. ONUB, UNAMA and UNMIS should ensure that changes in fuel prices are approved, agreed upon or covered by the necessary contract amendment before the application or enforcement of such price changes.

53. *The Missions accepted this recommendation and stated that it has been implemented.*

C. Procurement issues

54. UNMIS should seek an explanation from the United Nations Procurement Service on the unfavourable terms in the amended contract for the supply of fuel in the mission, which resulted in additional costs of $9.1 million towards operation and maintenance charges.

55. *UNMIS accepted this recommendation and stated that the Mission has requested clarification from the United Nations Procurement Service on the methodology used to establish the operation and maintenance charges.*

56. MINUSTAH should: (a) ensure that the provisions of the Procurement Manual on the rejection of proposals and solicitation of Best and Final Offers are complied with; (b) investigate whether there is a basis to recover the charges paid to a vendor in excess of another vendor's rates; and (c) request the Procurement Service at Headquarters to expedite the completion of the procurement for the long-term supply of aviation fuel to the Mission.

57. *MINUSTAH stated that it has followed up with United Nations Headquarters for the early conclusion of a long-term supply contract for aviation fuel. Concerning subparagraph (b) of the above recommendation, the Department of Peacekeeping Operations explained that an investigation is ongoing to determine whether MINUSTAH has paid charges to a vendor in excess of another vendor's rates. The result of the investigation will be communicated to OIOS.*

58. UNAMA and UNAMI should ensure that activities relating to the procurement of fuel contracts comply with the provisions of the Procurement Manual.

59. *UNAMA and UNAMI accepted this recommendation. UNAMA explained that it will endeavour to comply with the Procurement Manual to the extent the local market situation in Afghanistan allows. UNAMI stated that the Transport Section will establish a sufficiently detailed statement of works and requisition and that once they are received by the Procurement Section, offers will be solicited in accordance with the procedures prescribed by the Procurement Manual.*

D. Staffing issues

60. MONUC, ONUB and UNMIS should expedite recruitment for the vacant posts in the mission's Fuel Unit/Cell.

61. *The Missions accepted this recommendation and indicated that efforts are under way to fill the vacant posts.*

62. UNAMA should create a dedicated Fuel Unit/Cell in the Mission. ONUB should ensure that critical Fuel Cell tasks are assigned to more senior/qualified staff.

63. *UNAMA and ONUB accepted this recommendation. UNAMA stated that it has hired a full-time fuel manager and that it will determine the most suitable responsibility centre for the Fuel Unit/Cell that it will establish. ONUB indicated that critical tasks have been assigned to four international staff members in the Supply Section.*

E. Continuity of fuel supply

64. MONUC, UNAMI, UNMIS and UNOCI should prepare and test a written contingency plan for fuel operations and regularly update it. ONUB should formally require the contractor to prepare a safety plan that identifies the risks in its local operations and outlines a plan to mitigate them.

65. *The Missions accepted these recommendations and indicated that their fuel contingency plans are being drafted and/or tested.*

66. UNMEE should ensure that fuel reserves in the Mission are at or above the minimum critical level necessary to ensure continuity of operations in the event of an emergency.

67. *UNMEE accepted this recommendation and indicated that it has maintained the minimum required reserve stocks.*

68. UNAMI and UNMIS should assign backup staff to take over the responsibilities of key fuel personnel during their absence.

69. *UNAMI accepted the recommendation and indicated that efforts are under way to provide for backup personnel. The Department of Peacekeeping Operations indicated that UNMIS has designated the Military Staff Officer for Fuel as the backup for the Chief of the Fuel Unit.*

F. Safety, security and environmental practices

70. MONUC, ONUB, UNAMA, UNMEE, UNMIK, UNMIL, UNMIS and UNOCI should rectify the deficiencies noted with regard to the safety, security and environmental practices concerning fuel operations.

71. *The Missions accepted this recommendation and indicated that they have started addressing the deficiencies noted.*

72. MINUSTAH should ensure that quality control mechanisms are put in place. MONUC, UNAMI and UNMEE should ensure that the Receiving and Inspection Unit inspects fuel deliveries.

73. *MINUSTAH accepted the recommendation and indicated that quality control mechanisms will be implemented. MONUC, UNAMI and UNMEE also accepted the recommendation and commented that inspection of fuel deliveries will be consistently performed.*

G. Standard operating procedures

74. The Department of Peacekeeping Operations should revise the draft Fuel Operations Manual to provide for a comprehensive and consistent set of procedures on the monitoring of fuel consumption in field missions, along with the necessary reports and analyses that missions must prepare and submit regularly to the Department of Peacekeeping Operations Headquarters Fuel Unit. After such revision, the Department of Peacekeeping Operations should finalize and formally approve for implementation the Fuel Operations Manual.

75. *The Department of Peacekeeping Operations accepted this recommendation and explained that the manual, in its current state, is a collection of field standard operating procedures. The Department has allocated funding for an external consultant to review and update the manual to provide for a comprehensive and consistent set of procedures. The Department of Peacekeeping Operations, in conjunction with the Department of Management, is in the process of engaging the services of a consultant for the project. In addition to extensive research into the latest applicable standards and best practices currently used in the fuel industry, the consultant's work will include travel to two peacekeeping missions and interaction with Fuel Unit and Supply Section staff at Headquarters. Upon completion, the manual will be submitted to senior management for approval and distribution to all missions. Meanwhile, the draft Fuel Operations Manual will continue to provide guidance on fuel management in the missions.*

76. The Department of Peacekeeping Operations should ensure that MEFAS or other alternative fuel monitoring system is implemented in all peacekeeping missions. The system must reflect the policies and procedures provided for in the Fuel Operations Manual.

77. *The Department of Peacekeeping Operations accepted this recommendation and explained that information technology solutions should greatly assist Fuel Units/Cells in peacekeeping missions in carrying out their responsibilities more effectively. The Department added that recently, a high-level business case, which outlines the functionality of an alternative to MEFAS and Fuel Log, has been prepared and will be presented to the Information Management Committee on 15 February 2007. The proposed fuel management system is a comprehensive system that will be designed to support global fuel management activities and accounts. The system features will include: fuel planning and ordering; budgeting; consumption and inventory control; analysing and reporting; and contract administration. The implementation of the system is estimated to commence during 2008/2009. Meanwhile, MEFAS will be implemented in UNMIS and UNIFIL by 30 June 2007. The total number of missions with MEFAS will then increase to five (MONUC, ONUB, UNMIL, UNIFIL and UNMIS).*

(*Signed*) Inga-Britt **Ahlenius**
Under-Secretary-General
Office of Internal Oversight Services

Annex

List of OIOS audit reports on fuel management and recommendations made to missions

Mission	*Audit number*	*Number of recommendations*				*Implementation status*[a]		
		Total issued	*Critical*	*Accepted*[b]	*Not accepted*[c]	*Implemented*	*In progress*	*Not started*
MINUSTAH	AP2005/683/11	19	6	16	3	6	10	3
MONUC	AP2006/620/07	18	7	18	—	1	12	5
ONUB	AP2006/648/10	27	14	25	2	10	15	2
UNAMA	AP2006/630/06	23	14	23	—	3	20	—
UNAMI	AP2006/812/08	11	6	9	2	1	2	8
UNMEE	AP2006/624/07	20	5	20	—	6	14	—
UNMIK	AP2006/650/04	6	3	6	—	4	2	—
UNMIK (fuel contract)	AP2005/650/05	6	5	6	—	1	5	—
UNMIL	AP2005/626/05	16	6	16	—	3	13	—
UNMIS	AP2006/632/10	26	10	25	1	6	18	2
UNOCI	AP2006/640/08	10	7	10	—	1	9	—
Totals		**182**	**83**	**174**	**8**	**42**	**120**	**20**

[a] Status of accepted recommendations as at 11 January 2007.
[b] Includes partially accepted recommendations.
[c] OIOS has reiterated these recommendations for reconsideration by the concerned mission management.